

LOAN PURCHASE PROGRAMS ELECTRONIC ANNOUNCEMENT #26

Date: September 9, 2008

To: FFEL Program Community

From: Larry Warder, Acting Chief Operating Officer
Federal Student Aid

Subject: MLSA Bill of Sale Submission Instructions

In an Electronic Announcement posted on July 25, 2008 (Electronic Announcement #8) we issued a revised version of the Master Loan Sale Agreement (“the MLSA”) under the Department’s Loan Purchase Commitment Program. Since then, we have made revisions to the Bill of Sale (Exhibit B) and to the Security Release Certification (Exhibit E) and have created a Notice of Assignment and Designation of Payee. The revisions to Exhibits B and E and the new payee assignment form were made in response to suggestions made by members of the FFEL community to provide clarity and simplification to the Loan Purchase Commitment Program. These forms are included below, as attachments to this announcement.

Revised Bill of Sale: We have created two separate formats for Bills of Sale (Exhibit B of the MLSA) that must be executed under the MLSA. One is to be used by lenders/sponsors and custodians for loans in which the Department holds a Participation Interest under the Loan Participation Purchase Program. The other will be used for loans that will be sold directly by the lender to the Department.

Revised Security Release Certification: The revised Security Release Certification (Exhibit E of the MLSA) provides clarity by specifically naming both the selling lender (the Seller) and the (Secured Lender) in the body of the Certification. The revision also makes it clear that, while the Certification must be filed with the Department prior to the sale date, the release of the Secured Lender’s interest in the loans being sold is not effective until the date that the Secured Lender receives funds from the sale of the loans.

Notice of Assignment and Designation of Payee: This new Payee Assignment form was suggested by the FFEL community as a way for Sellers of loans to the Department under the MLSA to ask the Department to send payment to the party that holds a secured interest in the loans (the Creditor). The form requires specific bank account information from the Creditor and requires authorizations from both the Seller and the Creditor.

Thank you for your continued support of these FFEL Loan Purchase Programs.

Attachments

**United States Department of Education
Federal Family Education Loan Program
Loan Purchase Program Under a Master Loan Sale Agreement**

**BILL OF SALE SUBMISSION INSTRUCTIONS
SEPTEMBER 9, 2008**

The procedures below explain how a lender that wishes to sell loans to the Department of Education (the Department) under the Master Loan Sale Agreement of the Department's Loan Purchase Commitment Program, executes the Bill of Sale (Exhibit B) and, if applicable the Security Release Certification (Exhibit E) and the Notice of Assignment and Designation of Payee form. Please refer to Electronic Announcements #5, dated July 11, 2008 for information and instructions for submitting the required Notice of Intent to Participate and Electronic Announcement #23, dated August 22, 2008, for information on executing the Master Loan Sale Agreement with the Department and for submission of the required 45-Day Notice of Intent to Sell Loans. Both Electronic Announcements, along with other important information related to the Loan Purchase Programs, are available at www.federalstudentaid.ed.gov/ffelp.

Bill of Sale (Exhibit B)

The Bill of Sale Package that must be submitted by the Seller to the Department's designee includes three required parts:

- The "Bill of Sale" provides the terms of the loan sale. There are two distinct forms of the Bill of Sale. For loans that will be sold to the Department out of a participation facility under the Loan Participation Purchase Program the form subtitled "[To Be Used For Loans With a Custodian](#)" must be used. The other form, subtitled "[To Be Used For Loans With No Custodian](#)", will be used for loans that will be sold directly by the FFEL lender/holder to the Department. Note that this second form of the Bill of Sale includes a certification by the selling lender as to whether there are any secured interests in the loans being offered for sale. If such secured interests exist, a Security Release Certification, as discussed below, must be submitted along with the Bill of Sale;
- The "[Final Loan Schedule Summary of Loans Sold](#)" summarizes the loans that will be sold to the Department and supports the Bill of Sale;
- The Loan Schedule, as referenced in the Bill of Sale, details each loan that the lender is selling to the Department and summarized in the Loan Schedule Summary of Loans Sold. By submitting the Schedule provided to the lender by the Department's designee (see below under "Submission Instructions") for a specific Bill of Sale, the lender (now the "Seller") has adopted that Schedule to identify the loans it is selling under that Bill of Sale.

BILL OF SALE SUBMISSION INSTRUCTIONS
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Security Release Certification (Exhibit E)

If any of the loans to be sold to the Department, pursuant to the Bill of Sale, are subject to any security interest, pledge or hypothecation for the benefit of any financing institution or other third party, a “[Security Release Certification](#)” must be submitted in the form of Exhibit E of the Master Loan Sale Agreement, executed by the Seller and such entity. Attached to that Certification must be a Schedule of Loans to which the Security Release will apply. That schedule may be a copy of the Loan Schedule submitted by the Seller with the Bill of Sale.

Notice of Assignment and Designation of Payee (Optional)

Where the Seller has indicated that a third party holds a security interest in the loans submitted for purchase, the Seller has the option of submitting a “[Notice of Assignment and Designation of Payee](#)”. Submission of this form informs the Department that the Seller has assigned to the party holding the security interest (the Creditor), the right to receive direct payment from the Department. When completing the Notice of Assignment and Designation of Payee, both the Seller and the Creditor are providing the specific bank account to which the Department will send the funds. Also note that “a true copy of the instrument of assignment” between the Seller and the Creditor must accompany the Notice of Assignment and Designation of Payee.

If the Seller chooses not to assign its right to receive loan purchase funds to the party holding a security interest in the loans, the Seller must promptly provide the Department with notification of its payment to that third party. Such notification must be specific as to date, amount, and form of such payment.

Single Transaction Document Flow

As noted below in the discussion on the “Security Release Certification”, security interests (liens) may have been placed on some loans that a lender will offer for sale to the Department under the Loan Purchase Commitment Program. To ensure that all of the required documents are in place for these loans and that there are no delays in the sale, Sellers must segregate each loan sale according to whether the loans have a security interest or not. And, if there are security interests, separate submissions are required for each secured lender.

Example: A lender wishes to sell 1,000 Eligible Loans to the Department with a Purchase Date of November 15, 2008. Seven hundred (700) of those loans have no security interests, two hundred (200) have a security interest with Secured Lender #1, and the remaining one hundred loans (100) have a security interest with Secured Lender #2.

Regardless of the Purchase Date that is included on the 45-Day Notice, each set of loans represented by that Notice, needs to have separate submissions of the additional MLSA documents that are further discussed below. For the first set of 700 loans that have no secured interests, only a properly executed Bill of Sale Package – the actual Bill of Sale, the Final Loan Schedule Summary of Loans Sold, and the Loan Schedule – must be submitted.

However, for each of the two sets of loans where there is a security interest, the lender would, in addition to the Bill of Sale Package, also need to provide a Security Release Certification from the Secured Lender, and, either a Notice of Assignment and Designation of Payee or the subsequent notification that the Secured Lender had received its funds.

BILL OF SALE SUBMISSION INSTRUCTIONS
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Note that the lender could choose to “stagger” the Purchase Date for each set of loans by submitting its three “45-Day Notices of Intent to Sell” with a different proposed Purchase Date. Or, the lender may submit the three separate “45-Day Notices of Intent to Sell” all with the same proposed Purchase Date of November 15.

Document Submission Procedures

As noted in Electronic Announcement #23, just prior to the Purchase Date (likely six business days), a pre-sale loan detail file, generated from the earlier conversion file submitted by the Seller, will be prepared by the Department’s servicer and forwarded to the Seller. The Seller will review the file and confirm the pre-sale totals. The Seller will use these totals and related reports to complete the Bill of Sale and associated Final Loan Schedule Summary of Loans Sold. As noted above, this Schedule can be used as the required attachments to the Bill of Sale and, if required, to the Security Release Certification.

Documents: Approximately, five business days prior to the expected Purchase Date, the Seller will submit to the Department the signed Bill of Sale and the Final Loan Schedule Summary of Loans Sold. In addition, if there is a security interest on the loans being sold, a Security Release Certification that has been signed by both the Seller and the Secured Lender must be submitted. Finally if the Seller so chooses, the Notice of Assignment and Designation of Payee (along with a copy of the instrument of assignment between the Seller and the Creditor) may be submitted. All of these documents are to be submitted as PDF attachments to an email sent to ED.servicer@ed.gov. The subject line of the email must say “Bill of Sale.”

Schedules: Submission instructions for the Loan Schedules that are required for both the Bill of Sale and the Security Clearance Certification will be provided in later announcements.

EXHIBIT B
(Revised September 9, 2008)
(To Be Used For Loans With a Custodian)

BILL OF SALE

_____ <Name of Custodian> _____ is the Custodian under that certain Master Participation Agreement (“the MPA”) between the Custodian, _____ <Name of Sponsor> _____, as Sponsor [, _____ Name of Eligible Lender Trustee> _____, as the Eligible Lender Trustee], and the Department of Education (“the Department”) and under the Adoption Agreement executed in connection therewith dated _____ <Date of Execution of Adoption Agreement of the MPA> ____]. The Sponsor now as Seller and [the Eligible Lender Trustee] and the Custodian do hereby sell, transfer, assign, set over and convey to the Department all their right, title and interest in and to the Loans included on the Loan Schedule attached hereto, together with the related servicing files and servicing rights appurtenant thereto, the related Promissory Notes and related Loan Documents (including, without limitation, any rights of the Seller to receive from any third party any documents which constitute a part of the loan or servicing files) and all rights and obligations arising under the documents contained therein, as of the date and time of receipt by the Seller of the Purchase Price of \$ _____ for such Loans. The Seller has requested that the purchase date be _____ (“Purchase Date”). This sale is without recourse but subject to the terms of the Master Loan Sales Agreement (“MLSA”) between the Sponsor, as Seller, [the Eligible Lender Trustee] and the Department adopted on _____ <Date of Execution of Adoption Agreement of the MLSA> _____. Pursuant to the MLSA the Seller or the Custodian has delivered to the Department or its designee, the documents for each Loan to be purchased as set forth in the Agreement.

On the Purchase Date, the ownership of each Loan and the related Promissory Note and the contents of the Loan file and servicing file shall vest in the Department and the ownership of all records and documents with respect to the related Loan prepared by or which come into the possession of the Seller shall vest in the Department, and the Seller or the Custodian shall have delivered such records as are required by the Department, or its designee, to the Department or its agent (except that copies thereof may be retained as provided in the MLSA). During any period that the related Loan files and servicing files are retained by the Seller, such files shall be retained and maintained, in trust, by the Seller for the benefit of the Department.

If any of the Loans were made under a Master Promissory Note, this Bill of Sale excludes an assignment of right[s] of the Seller [or Eligible Lender Trustee] to offer future loans under such Master Promissory Note, and the Seller [or Eligible Lender Trustee] expressly reserve[s] such right to offer future Loans under such Master Promissory Note. The Department agrees and warrants that it will not offer or make any future loans under such Note.

The Seller authorizes the Department to use a copy of this Bill of Sale, including the Loan Schedule attached, as official notification to the applicable Guaranty Agency(s) of assignment to the Department of the Loans purchased pursuant hereto on the Purchase Date.

BILL OF SALE

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[Each of] [T]he Seller [and the Eligible Lender Trustee] confirm[s] to the Department that the representations and warranties set forth in Section 6 of the MLSA are true and correct with respect to the Seller [and the Eligible Lender Trustee] and the Loans included on the Loan Schedule attached hereto as of the date hereof, and that all statements made in the Seller's Officer's Certificate and all attachments thereto remain complete, true and correct in all respects as of the date hereof, and that the Loan characteristics identified on the attached Loan Schedule are true and correct as of the date hereof.

Capitalized terms used herein and not otherwise defined shall have the meanings set forth in the MLSA.

IN WITNESS WHEREOF, the undersigned Seller/Sponsor [and the Eligible Lender Trustee] and the Custodian have executed and delivered this Bill of Sale as of the latest date below written.

_____ <Name of Seller> _____, as Seller

By: _____
Signature
Name: _____
Typed
Title: _____
Typed
Date: _____

_____ <Name of Eligible Lender Trustee> _____, as Eligible Lender Trustee

By: _____
Signature
Name: _____
Typed
Title: _____
Typed
Date: _____

_____ <Name of Custodian> _____, as Custodian

By: _____
Signature
Name: _____
Typed
Title: _____
Typed
Date: _____

Acknowledged by the United States Department of Education:

EXHIBIT B

**(Revised September 9, 2008)
(To Be Used For Loans With No Custodian)**

BILL OF SALE

_____ <Name of Selling Lender> _____ (“Seller”) as the Seller [and _____ <Name of Eligible Lender Trustee> _____ as the Eligible Lender Trustee] under that certain Master Loan Sale Agreement (“the Agreement”), dated July 25, 2008 and that certain Adoption Agreement executed in connection therewith by the Seller [, the Eligible Lender Trustee], and the Department of Education (“the Department”) as of _____ <Date of Execution of the Adoption Agreement of the MLSA> _____] do[es] hereby sell, transfer, assign, set over and convey to the Department as purchaser under the Agreement all right, title and interest of the Seller [and the Eligible Lender Trustee] in and to the Loans included on the Loan Schedule attached hereto, together with the related servicing files and servicing rights appurtenant thereto, the related Promissory Notes and related Loan Documents (including, without limitation, any rights of the Seller to receive from any third party any documents which constitute a part of the loan or servicing files) and all rights and obligations arising under the documents contained therein, as of the date and time of receipt by the Seller of the Purchase Price of \$_____ for such Loans. The Seller has requested that the purchase date be _____ (“Purchase Date”). This sale is without recourse but subject to the terms of the Agreement. Pursuant to the Agreement, the Seller has delivered to the Department or its designee, the documents for each Loan to be purchased as set forth in the Agreement.

On the Purchase Date, the ownership of each Loan and the related Promissory Note and the contents of the Loan file and servicing file shall vest in the Department and the ownership of all records and documents with respect to the related Loan prepared by or which come into the possession of the Seller shall vest in the Department, and the Seller shall have delivered such records as are required by the Department, or its designee, to the Department or its designee (except that copies thereof may be retained as provided in the Agreement). During any period that the related Loan files and servicing files are retained by the Seller, such files shall be retained and maintained, in trust, by the Seller for the benefit of the Department.

If any of the Loans were made under a Master Promissory Note, this Bill of Sale excludes an assignment of right[s] of the Seller [or Eligible Lender Trustee] to offer future loans under such Master Promissory Note, and the Seller [or Eligible Lender Trustee] expressly reserve[s] such right to offer future Loans under such Master Promissory Note. The Department agrees and warrants that it will not offer or make any future loans under such Note.

The Seller authorizes the Department to use a copy of this Bill of Sale, including the Loan Schedule attached, as official notification to the applicable Guaranty Agency(s) of assignment to the Department of the Loans purchased pursuant hereto on the Purchase Date.

BILL OF SALE

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[Each of] [T]he Seller [and the Eligible Lender Trustee] named below hereby certifies to the Department that with respect to the Loans included on the Loan Schedule attached here, as of the date of the Seller’s signature below (Check one of the following) –

_____ No security interests of any kind have been granted that are now in effect.

_____ Security interests have been granted to _____ (“Secured Lender”) that will be released by that Secured Lender using the revised “Security Release Certification” (Exhibit E to the Master Loan Sales Agreement).

[Each of] [T]he Seller [and the Eligible Lender Trustee] confirms to the Department that the representations and warranties set forth in Section 6 of the Agreement are true and correct with respect to the Seller [and the Eligible Lender Trustee] and the Loans included on the Loan Schedule attached hereto as of the date hereof, and that all statements made in the Seller’s Officer’s Certificate (Exhibit C of the Agreement) and all attachments thereto remain complete, true and correct in all respects as of the date hereof, and that the Loan characteristics identified on the attached Loan Schedule are true and correct as of the date hereof.

Capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Agreement.

IN WITNESS WHEREOF, the undersigned Seller/Sponsor [and the Eligible Lender Trustee] and the Custodian have executed and delivered this Bill of Sale as of the latest date below written.

_____ <Name of Seller> _____, as Seller

Signature _____

Typed Name: _____

Title: _____

Date: _____

_____ <Name of Eligible Lender Trustee> _____, as Eligible Lender Trustee

Signature: _____

Name: _____

Title: _____

Date: _____

Acknowledged by the United States Department of Education:

**BILL OF SALE ATTACHMENT
AND FINAL LOAN SCHEDULE SUMMARY OF LOANS SOLD
PURSUANT TO THE MASTER LOAN SALE AGREEMENT**

To: U.S. Department of Education

[_____, 200__]

From: [____ Seller _____]

[Seller's Lender or Custodian ID (LID)]¹

Scheduled Purchase Date: [MM/DD/CCYY]

(Must be submitted with the BILL OF SALE to the U.S Department of Education)

FINAL LOAN SCHEDULE SUMMARY OF LOANS SOLD

Loan Type	Number of Loans at Purchase Date	Original Amount Disbursed	Outstanding Principal Balance at Purchase Date	Borrower's Accrued/Unpaid Interest at Purchase Date
FFEL Stafford Subsidized	[_____]	[\$_____.]	[\$_____.]	[\$_____.]
FFEL Stafford Unsubsidized	[_____]	[\$_____.]	[\$_____.]	[\$_____.]
FFEL PLUS (Parent and Graduate/Professional)	[_____]	[\$_____.]	[\$_____.]	[\$_____.]
TOTALS:	[_____]	[\$_____.]	[\$_____.]	[\$_____.]

PURCHASE PRICE CALCULATION

Total Outstanding Principal Balance at Purchase Date [_____.]

Total Borrower's Accrued/Unpaid Interest at Purchase Date [_____.]

Reimbursement of One-Percent Lender Fee

Total Original Amount Disbursed of [_____.] X .01 = [_____.]

\$75.00 Purchase Fee per Loan

Total Number of Loans [_____] X \$75.00 = [_____.]

TOTAL FINAL PURCHASE PRICE [_____.]

¹ If these loans are currently held in a Participation Agreement with the Department, use Custodian's ID number.

EXHIBIT E
REVISED SEPTEMBER 9, 2008

SECURITY RELEASE CERTIFICATION

I. Release of Security Interest

_____ <Name of Secured Lender> _____ (the Secured Lender), hereby relinquishes any and all right, title and interest it may have in and to the Loans described on the Schedule of Loans attached hereto upon purchase thereof by the Department of Education (“the Department”) from _____ <Name of Seller> _____ (“Seller”) pursuant to a Bill of Sale executed by the Seller on _____ <Date Seller Signed Bill of Sale _____ > under that certain Master Loan Sale Agreement (“the MLSA”), dated July 25, 2008, and the related Adoption Agreement between the Seller, [the Eligible Lender Trustee] and the Department dated as of _____ <Date Seller Signed the MLSA Adoption Agreement> _____. This release is effective as of the date and time of receipt by the Secured Lender of \$ _____ from the purchase of such Loans (“Date and Time of Receipt”). The Secured Lender also certifies that, as of the Date and Time of Receipt, (i) all notes, assignments and other documents in its possession relating to such Loans will have been delivered and released to the Seller named below or its designees, other than copies thereof that are retained by the undersigned or its designee (in electronic or paper medium), and (ii) all appropriate Uniform Commercial Code termination statements will promptly be filed evidencing the release of its lien on the related Loans.

Secured Lender’s Name: _____

Address: _____

Signed Name: _____

Typed Name: _____

Title: _____

Date: _____

SECURITY RELEASE CERTIFICATION
PAGE 2 OF 2

II. Certification of Release

The Seller hereby certifies to the Department of Education that, as of the date stated below, the security interests to be released by the above named Secured Lender in the Loans in the Schedule referred to above comprise all security interests relating to or affecting any and all such Loans. The Seller warrants that, as the date stated below, there are no other security interests affecting any or all of such Loans, and none will be created.

Seller's Name: _____

Signed Name: _____

Typed Name: _____

Title: _____

Date: _____

NOTICE OF ASSIGNMENT AND DESIGNATION OF PAYEE

_____ <Name of Seller> _____ (“the Seller”) provides notice to the U.S. Department of Education (“the Department”) that the Seller has assigned to _____ <Name of Creditor> _____, as the “Creditor” the right to receive any payments due the Seller, or to become due the Seller, from the Department pursuant to a certain Bill of Sale executed by the Seller on _____ <Date Seller Signed Bill of Sale> _____ under the Master Loan Sale Agreement (“the MLSA”), dated July 25, 2008, and the related Adoption Agreement between the Seller, [the Eligible Lender Trustee] and the Department dated as of _____ <Date Seller Signed the MLSA Adoption Agreement> _____. The Seller and the Creditor intend this notice to meet any applicable requirements of the Assignment of Claims Act of 1940, as amended, 31 U.S.C. 3727, 41 U.S.C. 15. A true copy of the instrument of assignment executed by the Seller on _____ <Date Executed by Seller> _____, is attached to this notice.

The Seller and the Creditor further agree and notify the Department that payments due or to become due pursuant to the Bill of Sale noted above should be made to the Creditor and remitted to the following financial institution for deposit to the account listed here:

Name on Account: _____

Account Number: _____

Name of Financial Institution: _____

Address of Financial Institution: _____

ABA Number of Financial Institution: _____

NOTICE OF ASSIGNMENT AND DESIGNATION OF PAYEE
Page 2 OF 2

Name of Seller: _____

Signed Name: _____

Typed Name: _____

Title: _____

Date: _____

Name of Creditor: _____

Address: _____

Phone and E-Mail Contact: _____

Signed Name: _____

Typed Name: _____

Title: _____

Date: _____

Acknowledged by the United States Department of Education:

Paperwork Burden Statement

According to the Paperwork reduction Act of 1995, no persons are required to respond to a collection of information unless such collection displays a valid OMB control number. The valid OMB control number for this information collection is 1845-0087. The time required to complete this information collection is estimated to average 1 hour per response, including the time to review instructions, search existing data resources, gather the data needed, and complete and review the information collection. **If you have any comments concerning the accuracy of the time estimate(s) or suggestions for improving this form, please write to:** U.S. Department of Education, Washington, D.C. 20202-4537. **If you have comments or concerns regarding the status of your individual submission of this form, write directly to:** Policy Liaison and Implementation, Federal Student Aid, U.S. Department of Education, 400 Maryland Avenue, S.W., UCP3, 11th floor, Washington D.C. 20202-4537.